

Title: A permanent fund for health care can help solve the worker shortage

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A permanent fund for health care can help solve the worker shortage

Your Turn

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New Mexico has a critical shortage of health care workers, including doctors, nurses, and behavioral health providers. Solving this shortage will require investments in reforms like increasing student loan repayment programs for health care workers, increasing Medicaid reimbursement rates to doctors, expanding health care worker training programs, and targeting tax incentives.

To make these investments without raising taxes or cutting other essential programs, the best strategy is to create a permanent fund for health care, modeled on the state's successful Severance Tax Permanent Fund.

The Severance Tax Permanent Fund (STPF) was created in 1973 during an oil boom that generated a big budget surplus in New Mexico. Legislative leaders decided it would be wise to save some of those unexpected funds for future generations, so they created the STPF, an endowment funded by taxes on natural resources like oil, gas, and hardrock minerals. The STPF works like an investment account that generates continuous funding to help pay the costs of state government.

Today, the STPF is worth \$9.7 billion—a staggering 138,186% increase from the \$7 million it started with in 1973. The STPF has paid out billions of dollars over the last 50 years to support the state's budget and infrastructure projects. Without the STPF, the legislature would have needed to raise taxes by nearly \$500 million annually to maintain this spending.

In recent years, the legislature has wisely taken advantage of the current oil and gas boom in the Permian Basin to create several new funds modeled on the visionary STPF.

For example, in 2024, the legislature created the Higher Education Trust Fund (\$959 million), as well as a Capital Development and Reserve Fund (\$476

million). This followed the creation of the Conservation Legacy Permanent Fund in 2023 (\$354 million); the Early Childhood Education and Care Fund in 2020 (\$7.2 billion); and the Tax Stabilization and Reserve Fund in 2019 (\$2.2 billion)—just to name a few.

However, despite health care being the second largest annual expense in the state budget (after public education), there is not yet a permanent fund dedicated to meeting New Mexico's health care needs. Because health care costs grow faster over time than state government revenues, a permanent fund for health care would help to close that gap.

Think New Mexico recommends setting aside a portion of next year's projected \$2.5 billion budget surplus to create a permanent fund for health care. Eventually, we recommend growing that fund to at least \$2 billion. At a 5% yield, such a fund would pay out \$100 million annually that could fund reforms like those mentioned above.

Creating a trust fund for health care is not a new idea. For example, Senate Finance Chair George Muñoz introduced legislation in 2024 to create a \$1 billion permanent fund to help cover the state's Medicaid costs. Medicaid, which funds health care for low-income New Mexicans, is an especially smart investment because the federal government matches about \$3 for every \$1 the state spends on the program.

A \$2 billion Permanent Fund for Health Care could help pay for not only Medicaid, but also for other innovative policies that will allow us to train, recruit, and retain the health care professionals that New Mexicans urgently need.

If you agree that New Mexico needs a permanent fund for health care, we encourage you to visit Think New Mexico's website at www.thinknewmexico.org, where you can learn more and contact your legislators and the governor and urge them to create this fund during the 2025 legislative session.